AR11

1981 Annual Report

moffat communications limited





The Company

Moffat Communications Limited owns and operates radio stations in Vancouver, Calgary, Edmonton, Moose Jaw/Regina, Winnipeg, and Hamilton. The Company owns CKY-TV, the CTV Network affiliate in Winnipeg, which extends service to over 95% of the Manitoba population. Its 80% owned cable television company, Winnipeg Videon Incorporated provides service to over 132,000 Winnipeg households. The Company has recently expanded into the United States cable television market and home security service and owns 85.5% of Kingwood Cablevision Inc. which operates in a planned development northeast of Houston, Texas.

Operating Highlights

(Dollars in Thousands)

	1981	1980
Revenue	**$42,246**	$35,735
Net Income	**$ 5,712**	$ 5,053
Net Income Per Share	**$ 2.41**	$ 2.14
Dividends Per Share	**76¢**	60¢
Return on Equity	**24.1%**	25.4%

Five Year Review

Moffat Communications Limited

Years ended August 31	1981	1980	1979	1978	1977
Income (000)					
Revenues	**$42,246**	$35,735	$31,513	$27,196	$20,479
Operating Profit (1)	**16,443**	13,303	11,314	9,209	7,270
Operating Profit Margin	**38.9%**	37.2%	35.9%	33.9%	35.5%
Net Income	**5,712**	5,053	4,000	3,053	2,822
Net Income Profit Margin	**13.5%**	14.1%	12.7%	11.2%	13.8%
Cash Flow (2)	**8,181**	7,065	5,880	5,096	4,174
Dividends	**1,797**	1,417	1,130	762	578
Balance Sheet (000)					
Capital Expenditures	**$ 4,208**	$ 2,985	$ 2,890	$ 4,062	$ 1,860
Working Capital	**474**	3,634	2,314	669	3,690
Long Term Debt	**5,782**	3,190	4,128	5,066	4,665
Shareholders' Equity	**25,692**	21,765	18,097	15,158	12,792
Return on Average Shareholders' Equity	**24.1%**	25.4%	24.1%	21.8%	24.7%
On a Per Share Basis (3)					
Net Income	**$ 2.41**	$ 2.14	$ 1.70	$ 1.31	$ 1.23
Dividends	**76.0¢**	60.0¢	48.0¢	32.7¢	25.3¢
Cash Flow	**$ 3.45**	$ 2.99	$ 2.50	$ 2.19	$ 1.82
Book Value	**10.86**	9.22	7.68	6.47	5.50

(1) Operating Profit – revenues less operating expenses.

(2) Cash Flow – net income, depreciation and amortization and deferred income taxes less excess of net income of affiliates over dividends received and deferred charges.

(3) All years after giving effect to 3 for 2 share split in 1978.

Quarterly Financial Data (unaudited) — on a per share basis

	Net Income		Dividends		Price Range of Common Stock	
	1981	1980	1981	1980	1981	1980
First Quarter	74.7¢	58.0¢	19.0¢	15.0¢	$23.00 -$17.50	$13.25 -$11.25
Second Quarter	38.3	37.0	19.0	15.0	23.25 - 21.50	14.50 - 12.62
Third Quarter	74.0	61.7	19.0	15.0	23.25 - 20.50	15.75 - 14.00
Fourth Quarter	54.0	57.3	19.0	15.0	21.25 - 17.75	20.50 - 18.50
Year	$2.41	$2.14	76.0	60.0	23.25 - 17.50	20.50 - 11.25

President's Report To The Shareholders

The communications industry in North America continues to develop at a rapid pace and Moffat Communications Limited is participating in this growth through each of its operating divisions. This past year represents significant achievements for your Company both in expanded operations as well as financial success.

The financial and operating achievements attained in 1981 were at record levels for the ninth consecutive year since the shares of your Company were listed on the Toronto Stock Exchange in 1972 with net income rising 13% over 1980 to $5,712,000, an increase of over 100% from that recorded in 1977. This performance, and the fact that each of the operating divisions of the Company contributed to it, emphasize the value of the diverse market locations and balanced broadcast interests which form the Company's earnings base.

The year also marked significant growth in the areas of capital expenditures and acquisitions. Total capital expenditures rose to $4,208,000 bringing our five-year total capital spending to just over $16 million. We anticipate our capital spending in 1982 will exceed $8 million as we continue to reinvest funds in the growth and development of our primary businesses. Acquisitions during the year totalled $7,910,000.

In November 1980, your Company acquired a 67.5% interest in Kingwood Cablevision, Inc., which owns a cable television system serving Kingwood, Texas, a planned unit development situated northeast of the Houston Intercontinental Airport and thirty minutes from downtown Houston. The initial cost of this interest in Kingwood was $3,037,500 (U.S.) and during fiscal year 1981 additional capital expenditures of $1,049,000 (U.S.) were made to upgrade the technical capacity of the cable plant to accommodate additional services. On October 8, 1981, we increased our effective interest in Kingwood from 67.5% to 85.5%. The community of Kingwood, with 6,200 existing homes and construction planned for 1,000 new dwelling units each year until 1991, is located in an area which has been called the fastest growing area in the United States. This new venture is particularly exciting in the less restrictive regulatory environment which exists in the United States. The scope and range of cable services which can be offered to Kingwood subscribers represent significant opportunities for future growth while satisfying customer needs for specialized information and entertainment services such as pay-television and instant, reliable home security services.

While Kingwood is in an operating profit position, the acquisition is expected to negatively impact the growth in earnings of the Company for a short term as a result of the high rate of interest being paid on monies borrowed for the purchase and substantial depreciation and amortization costs. We anticipate satisfactory growth in cash flow and a reasonable return on our investment.

On June 12, 1981, the Canadian Radio-television and Telecommunications Commission approved the application of the

Company to purchase radio station CJJD in Hamilton, Ontario. We are especially proud of this development as it represents the Company's first step into Eastern Canadian broadcasting. In its decision approving this application, the Commission stated:

> *"The Commission expects that CJJD will benefit from the financial strength, expertise and creative resources available to the new licensee and, based on the commitments made by Moffat at the hearing, that the level of radio service provided to the community will improve substantially."*

We are seriously committed to achieving this goal and have budgeted for an operating loss for CJJD in fiscal 1982 and 1983 as we invest to improve the competitive position of the station on a long-term basis.

Even though the combined affect of the purchase of CJJD and our interest in Kingwood reduced the Company's 1981 earnings by 19¢ per share, we are most optimistic about the long-term growth potential of the two operations.

On October 29, 1981 the Commission denied the application of the Company to establish a new FM station in Edmonton.

In June, 1981, we discontinued the operations of Consumer Behaviour Center Inc. of Dallas and have recorded a non-recurring loss from this action of 6¢ per share in 1981.

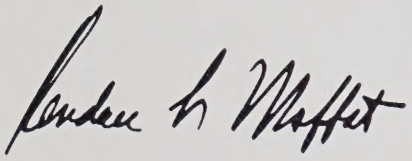
The dividend policy of the Company has been developed to provide shareholders with a fair return on their investment while at the same time retaining sufficient monies to finance growth and development. This plan has resulted in the Company maintaining a strong cash flow position over the years permitting expansion without undue reliance on borrowing of monies. Since shares in the capital stock of your Company were offered to the public in 1972, annual dividend payments have increased from 3¢ per share to 76¢ per share in 1981 and on October 5, 1981, the Board of Directors declared a first quarter dividend of 21¢ per share representing an 11% increase over the 1981 rate.

We are pleased to welcome Robert G. Graham to our Board of Directors this year. Mr. Graham is President and Chief Executive Officer of Inter-City Gas Corporation of Winnipeg and his expertise and knowledge will provide additional dimension to the Board.

We do not foresee any immediate improvements in the Canadian economy and continue to be concerned about the overall effects of deficit spending by Governments and the resultant escalating inflation and record high interest rates. Traditionally, broadcasting and cable television industry performance has withstood the pressures of economic recessions and we anticipate that our divisions, under the capable guidance of a talented management team, will continue to show earnings growth. We believe the Company is well-positioned for long-term growth and our efforts in the coming year will be devoted primarily to development of our existing operations.

The continued success of your Company is a result of the combined skills and talents of its 536 employees and management is proud of this effort and extends its appreciation to everyone for a job well done.

On Behalf of The Board,



Randall L. Moffat,
President.

November 16, 1981



CKXL/CHFM CALGARY



CHED EDMONTON

The radio division continued its record of strong performance during 1981 under the direction of Jim McLaughlin. Net income of the division improved 22% over 1980 on a total advertising sales increase of 16% (12% at our AM stations and 40% at our FM stations) and radio operations accounted for 50% of the net income of the Company. Vancouver stations CKLG and CFOX and Calgary stations CKXL and CHFM were the primary contributors to the increase in net income.

On July 29, 1981, the CRTC approved our application to establish a rebroadcasting station for CHFM serving the Banff/Lake Louise area providing increased coverage for our advertisers' message.

As previously stated, our acquisition of CJJD-AM, Hamilton was approved by the CRTC in June and we will devote considerable time and effort during the upcoming year to improve the position of this station.



The regulations with respect to FM radio in Canada continue to create difficulties and reduce our flexibility to respond to shifts in audience taste and demands. The CRTC is presently undertaking a comprehensive review of its radio regulations and accordingly, we have submitted a detailed report, outlining recommendations for change which we feel would encourage significant improvements in the quality and diversity of Canadian radio broadcasting.

The radio division continued its support of the development of young musicians through the sponsorship of the Canadian Stage Band Festival. Endeavours such as this provide long-term returns to the industry as the quality of Canadian music and musicians is improved and developed and we are proud of our role in this process. During 1981, more than 18,000 young musicians participated in regional stage band festivals across Canada with over 100 ensembles (2,000 musicians) attending the national festival in Edmonton during May, 1981.



AM Stations	Location	Frequency	Rank (C) (A)	Rank (C) (B)	Total Stations In Market (C)	Transmitted Power (Watts)
CKLG	Vancouver	730 kHz	3	2	12	50,000
CKXL	Calgary	1140 kHz	2	1	7	50,000
CHED	Edmonton	630 kHz	1	1	9	50,000
CHAB	Moose Jaw/ Regina	800 kHz	3	3	5	10,000
CKY	Winnipeg	580 kHz	2	2	8	50,000
CJJD	Hamilton	1280 kHz	5	5	5	10,000
FM Stations						
CFOX	Vancouver	99.3 mHz	5	4	12	100,000
CHFM	Calgary	95.9 mHz	6	6	7	100,000
CITI	Winnipeg	92.1 mHz	4	4	8	360,000

(A) Based on average weekday audience 7:00 a.m. to 7:00 p.m. Spring 1981 Survey.

(B) Based on total audience – Spring 1981 Survey.

(C) Excludes non-commercial stations.





Winnipeg Videon Incorporated

Under the management of Jack Baigrie, Videon recorded a 13% increase in operating profit over 1980. At August 31, 1981, 132,046 Winnipeg households subscribed to Videon's cable service representing a penetration level of 84% of homes passed within its licensed area. Comparative statistics for the years 1980 and 1981 are:

	AUGUST 31	
	1981	1980
Household subscribers	**132,046**	128,407
Households passed by cable	**157,761**	154,281
Households in licensed area	**158,168**	154,688

Basic cable service is near the saturation point in the Winnipeg market and future growth will therefore be dependent on the introduction of additional revenue-generating services such as pay-television. We anticipate that the CRTC will license pay-television service following a public hearing this fall and such service could potentially be introduced in Canada early in 1983.

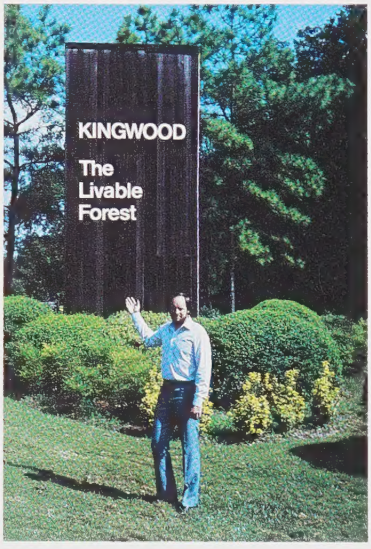
The situation with respect to cable television in Manitoba continues to create an air of uncertainty and negotiations with Manitoba Telephone System and the Province of Manitoba for preparation and execution of long-term service agreements have been a priority of management throughout the year and continue to consume an inordinate amount of management time.

Valley Cable Vision Limited (40% owned by Videon) completed its construction program during the year and full cable service is now available to 3,600 homes in its four licensed rural Manitoba communities.

We are pleased with the development of Kingwood Cablevision during the first nine months of ownership and under the direction of Francis Fries, it recorded a satisfactory operating profit. Of 6,265 homes passed at fiscal year end, 5,179 (83%) subscribed to our basic cable service and of these, 4,044 (78% of basic) received pay-television service (HBO). Five-channel expanded converter service was introduced in August including two additional pay-television services, "The Movie Channel" and "Cinemax". We have entered into an agreement with the developer of the community of Kingwood which provides that all new homes be prewired for home security and the home security monitoring service was activated October 1, 1981. For the twelve months ending August 31, a total of 1,054 new homes were constructed in Kingwood and this figure is consistent with our projections of 1,000 new homes per year to 1991.







Kingwood Cablevision, Inc., Houston

The performance of CKY-TV, under the guidance of Jim Purvis, improved considerably during the year largely as a result of the substantial turnaround in CTV Network operations. CKY-TV is affiliated with and an 8.3% owner of the CTV Network.

Substantial revenue gains were recorded at CTV and overall program performance improved, resulting in the negative impact incurred by CKY-TV and other affiliated stations in 1980 being largely eradicated.

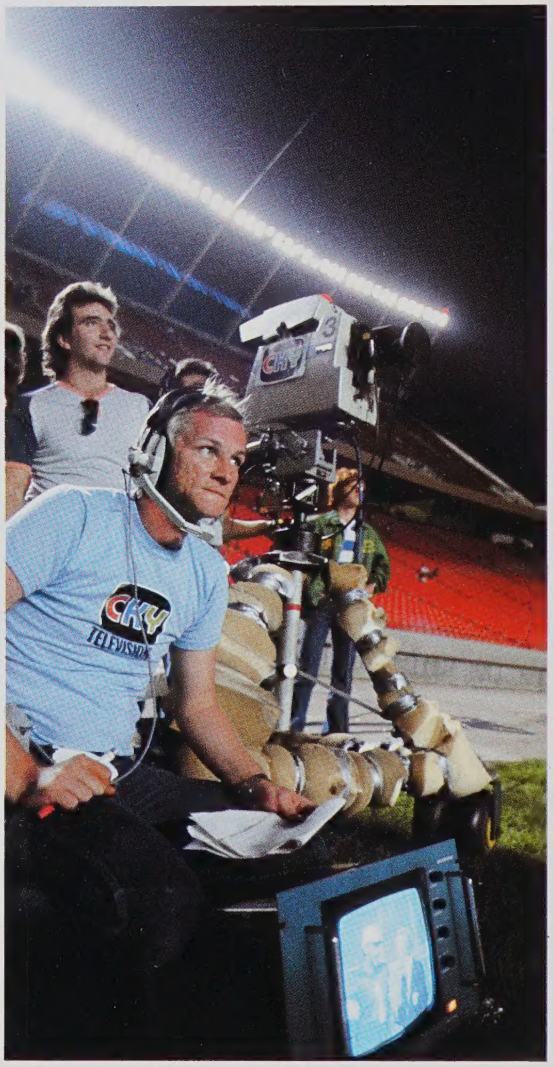
Entering fiscal 1982 with a performance-proven schedule, CTV opted to place heavy emphasis on its Canadian content entertainment programming to enhance this area of service for the coming season. The advertising community embraced these programming decisions by pre-booking the network to the largest extent in its history, thus ensuring continued new growth for CTV.

CKY-TV improved the quality of both its Provincial News coverage and sports coverage to the Network. The audience for the major six o'clock evening News program continues to increase and in September the News service was expanded to seven days a week.

The CTV Network renewed for its sixth season the "Let's Go" children's program produced by CKY-TV and a new weekly program was produced for one of the satellite services in the United States.







Television

Consolidated Statement of Income

Moffat Communications Limited

For the Year Ended August 31, 1981	1981	1980
Gross Revenue From Operations	**$42,246,319**	$35,735,011
Expenses:		
Operating	**25,803,036**	22,432,178
Depreciation and amortization	**2,086,831**	1,686,893
Interest	**1,085,780**	480,644
Income taxes – current	**6,775,580**	5,260,616
– deferred	**354,826**	402,577
Amortization of goodwill	**143,452**	79,110
	36,249,505	30,342,018
Income Before Undernoted	**5,996,814**	5,392,993
Interest of Minority Shareholders	**284,814**	339,993
Net Income for the Year	**$ 5,712,000**	$ 5,053,000
Net Income per Share	**$ 2.41**	$ 2.14

Consolidated Balance Sheet

Moffat Communications Limited

As At August 31, 1981	1981	1980
Assets		
Current Assets:		
Cash and short-term investments	$ —	$6,910,429
Accounts receivable	7,847,472	5,713,868
Prepaid expenses	247,819	286,963
Total Current Assets	8,095,291	12,911,260
Investments and Advances (Note 3)	658,194	606,079
Property, Plant and Equipment (Note 4)	20,408,472	15,669,730
Deferred Charges	642,067	526,272
Broadcast Licences, Cable TV Subscriber Base, Franchise and Goodwill at Cost Less Amortization (Note 1d)	13,964,705	8,573,704
Total	$43,768,729	$38,287,045

	1981	1980
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank operating loans (Note 5)	**$ 2,078,016**	$ —
Accounts payable and accrued charges	**2,716,460**	2,568,122
Income taxes	**1,573,950**	5,365,281
Current portion of long-term debt	**153,031**	331,000
Unearned income	**1,099,755**	1,013,384
Total Current Liabilities	**7,621,212**	9,277,787
Long-Term Debt (Note 5)	**5,781,766**	3,189,555
Deferred Income Taxes	**3,765,009**	3,410,183
Minority Interest	**908,868**	644,346
Shareholders' Equity:		
Capital stock (Note 6)	**1,206,642**	1,194,850
Retained earnings	**24,485,232**	20,570,324
Total Shareholders' Equity	**25,691,874**	21,765,174
Total	**$ 43,768,729**	$38,287,045

Approved by the Board:

Director

Director

Consolidated Statement of Changes in Financial Position

Moffat Communications Limited

For the year ended August 31, 1981	1981	1980
Working Capital Provided:		
From operations		
Net income for the year	**$ 5,712,000**	$ 5,053,000
Items not affecting working capital:		
Depreciation	**2,086,831**	1,686,893
Deferred income taxes	**354,826**	402,577
Share of income of affiliates	**2,120**	2,865
Minority interest share of income	**284,814**	339,993
Amortization of goodwill	**143,452**	79,110
	8,584,043	7,564,438
Proceeds of bank debt	**5,781,766**	–
Issue of shares	**11,792**	31,638
Sale of property and equipment	**43,165**	32,318
Receipts from minority shareholders	**114,334**	17,500
Total	**14,535,100**	7,645,894
Working Capital Applied:		
Purchase of shares of Kingwood Cablevision, Inc. plus its working capital deficiency at date of acquisition of $23,660	**4,883,660**	–
Purchase of radio station CJJD	**3,050,000**	–
Capital expenditures	**4,208,387**	2,985,033
Payments to minority shareholders	**400,000**	730,000
Long-term debt	**3,189,555**	938,498
Dividends	**1,797,092**	1,417,137
Deferred charges	**115,795**	130,166
Sundry investments – net	**50,005**	125,433
Total	**17,694,494**	6,326,267
(Decrease) Increase in Working Capital for the Year	**(3,159,394)**	1,319,627
Working Capital at Beginning of the Year	**3,633,473**	2,313,846
Working Capital at End of the Year	**$ 474,079**	$ 3,633,473

Consolidated Statement of Retained Earnings

Moffat Communications Limited

For the year ended August 31, 1981	1981	1980
Balance at beginning of the year	**$20,570,324**	$16,934,461
Net income for the year	**5,712,000**	5,053,000
	26,282,324	21,987,461
Dividends (Note 6)	**1,797,092**	1,417,137
Balance at end of the year	**$24,485,232**	$20,570,324

Auditors' Report to the Shareholders of Moffat Communications Limited:

We have examined the consolidated balance sheet of Moffat Communications Limited as at August 31, 1981, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at August 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
October 5, 1981

Chartered Accountants

Notes to the Consolidated Financial Statements

Moffat Communications Limited

As at August 31, 1981

1. Significant Accounting Policies

(a) Basis of Consolidation
The accounts of all subsidiaries are included in the consolidated statements. The subsidiaries are as follows:

Wholly-owned:
EMM/CEE Productions Ltd., EMM Publishing Ltd., CEE Publishing Ltd., Manipro Ltd. and Consumer Behavior Center, Inc.

Partially-owned:
Winnipeg Videon Incorporated (80%-74.5% voting), Moffat Communications Corp. (75%), Moffat International Corp. (75%) and Kingwood Cablevision, Inc. (67.5%).

Investment in shares of affiliated companies, Relay Communications Ltd. (50% owned) and Valley Cable Vision Limited (32% owned) are carried at cost plus equity share of net income less dividends received.

(b) Fixed Assets, Depreciation and Amortization
Plant and equipment costs, less 10% residual value and all leasehold improvement costs are charged to income over estimated useful lives as follows:

Buildings	-20 years
Production and transmitting equipment	-12½ years
CATV distribution system-Canada	-10 years
CATV distribution system-United States	-15 years
Furniture and fixtures	-10 years
Automotive	- 4 years
Land improvements	-25 years
Leasehold improvements	-over terms of leases

(c) Translation of United States Currencies
The accounts of United States subsidiary companies have been translated into Canadian dollars on the following basis:

1) current assets and current liabilities, at the year end rates of exchange;

2) non-current assets and non-current liabilities and related depreciation and amortization at rates prevailing at dates of transactions;

3) revenue and expense items, other than depreciation and amortization, at the average rates for the year.

The resulting United States currency translation gains and losses are included in the determination of net income.

(d) Broadcast licences, Cable TV Subscriber Base, Franchise and Goodwill
These intangible assets consist solely of the excess of purchase price paid over the fair market value of tangible business assets acquired. These business assets represent broadcasting licences, cable TV subscriber base and franchises which may be characterized as scarce assets, with very long and productive lives, which have historically increased in value with the passage of time. Goodwill acquired before April 1, 1974 and totalling $5,646,603 will not be amortized, but will be written down if there should be a diminution in its value. In accordance with the recommendation of the Canadian Institute of Chartered Accountants, such intangible assets acquired after April 1, 1974 and originally totalling $8,433,510 are being amortized over periods of 40 years, even though in the opinion of Management, there has been no diminution of value of the respective properties. This amortization reduced earnings 6.1¢ per share in 1981 (3.3¢ in 1980).

(e) Income Taxes
The tax effect of each item in the Statement of Income is recognized in the current period, regardless of when the tax is paid. Taxes on amounts which affect financial and taxable income in different periods are reported as deferred income taxes.

(f) Long-term Leases
Lease costs are charged to expense based on the average of rental payments throughout the term of the lease. Payments made in excess of the amounts charged to expense are shown on the balance sheet as deferred charges. This account will be reduced by charges to operations in the latter years of the lease when payments will be lower than the average annual rate.

2. Acquisitions

During the year the company acquired the Hamilton, Ontario, radio station CJJD for a cash consideration of $3,050,000. Of the total consideration, $200,000 was attributed to the fair value of plant and equipment and $2,850,000 was attributed to goodwill. The effective date of the acquisition was June 15, 1981.

Also during the year the company's 75% owned subsidiary Moffat International Corp., acquired a 90% interest in Kingwood Cablevision, Inc., which operates a cable television and security system in an area adjacent to Houston, Texas. The acquisition was for a cash consideration of $4,050,000 U.S. ($4,860,000 Canadian) as follows:

Fair value of property, plant and equipment	$2,440,800
Working capital deficiency	23,660
	2,417,140
Minority interest	241,714
	2,175,426
Cable TV subscriber base, franchises and goodwill	2,684,574
	$4,860,000

The effective date of the acquisition was November 19, 1980.

3. Investments and Advances

	1981	1980
Affiliated companies — shares	$368,088	$285,968
— advances	85,906	115,901
Other — at cost (no quoted market value)	204,200	204,210
	$658,194	$606,079

4. Property, Plant and Equipment

	1981			1980
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 689,223	$ —	$ 689,223	$ 609,783
Building	2,326,584	1,345,369	981,215	854,754
Production, transmission & CATV equipment	30,907,975	13,341,062	17,566,913	13,263,836
Automotive	301,138	144,916	156,222	61,157
Furniture & fixtures	1,067,327	404,423	662,904	513,421
Leasehold improvements	599,132	247,137	351,995	366,779
	$35,891,379	$15,482,907	$20,408,472	$15,669,730

5. Long-Term Debt

	Long-Term	Current
Term bank loan repayable in U.S. currency, $500,000 by November, 1984, $750,000 in 1985, $1,000,000 in 1986, $1,250,000 in 1987, with unpaid balance due in 1988	$5,781,766	$ —
Subordinated debenture repayable in quarterly instalments, $69,750 through January 1982 — interest at prime lending rate plus 1¼%	—	139,500
7% mortgage, repayable in monthly instalments through November 1981	—	13,531
	$5,781,766	$153,031

The term and operating loans are secured by a demand debenture of the Company dated May 23, 1979, for $20,000,000 which contains a floating charge on all property and assets of the Company in favour of the Bank. Interest is payable on the operating loan at the prime lending rate and on the term loan at 1% above the bank's U.S. prime lending rate for an effective rate of 21½% at August 31, 1981. Interest on long-term debt amounted to $905,769 in 1981 ($411,000 in 1980). Minority shareholders are guarantors of U.S. $1,250,000 of the term loan.

6. Capital Stock

	Authorized Shares	Issued & Outstanding Shares at August 31	
		1981	1980
Class A common	3,750,000	1,004,252	1,044,619
Class B common	3,750,000	1,361,393	1,318,926
Class C preference	200,000,000	NIL	NIL

The Class A common shares and the Class B common shares are voting shares and inter-convertible at any time and the only difference in the rights of the holders of Class A common shares and Class B common shares is that the former receive ordinary cash dividends and the latter receive stock dividends payable in Class C redeemable preference shares which are redeemable at the issue price of 1¢ per share. 102,931,569 Class C shares, issued as stock dividends on Class B shares, were redeemed at their par value.

During the year, 2,100 Class A shares were issued for $11,780 under the Employees' Stock Option Plan and 4,350 of the unissued Class A common shares are still reserved for allocation to employees under the stock option plan. As at August 31, 1981, options were outstanding with respect to (a) 225 of these shares at a price of $5.33 1/3 per share exercisable on a calendar year basis to October 1, 1981, and (b) 2,850 of these shares at a price of $6.30 per share exercisable on a calendar year basis to October 17, 1982, to a maximum of 20% of the optioned shares each year plus unexercised options of the previous years. The outstanding options have no material dilutive effect on net income per share.

Dividends paid were as follows:

	1981	1980
Class A common shares — 76¢ per share (1980 — 60¢)	$ 767,776	$ 598,125
Class B common shares — 76¢ per share (1980 — 60¢)	1,029,316	819,012
	$1,797,092	$1,417,137

7. Statutory Information

Remuneration of the 16 Directors and senior officers, as defined by The Securities Act of Ontario approximates $1,133,000 for the year ended August 31, 1981 (1980 - $1,088,000).

8. Lease Agreements

The total lease rental payments for the year ended August 31, 1981 approximated $900,000 and based on existing lease commitments, will approximate $750,000 in 1982, $750,000 in 1983, $770,000 in 1984, $790,000 in 1985 and $800,000 in 1986.

9. Subsequent Event

On September 1, 1981 the Board of Directors established a Share Purchase Plan for senior executives of the Company and approved 100,000 Class A common treasury shares be utilized for the Plan. On September 23, 1981 the Company advanced $924,000 to 13 senior executives to purchase 56,000 shares. The loans are non-interest bearing and mature over a ten-year period.

Directors

Gary T. Brazzell, Q.C. +
Partner – Taylor Brazzell McCaffrey

William A. Davis
Vice-President Finance and Treasurer

Robert G. Graham +
President and Chief Executive Officer
Inter-City Gas Corporation

Donna M. Hardstaff*
President – Jasman Property Enterprises Ltd.

J. Blair MacAulay*
Partner – Fraser + Beatty

Donald J. McDonald*
Financial Consultant

Randall L. Moffat +
President and Chairman of the Board

Bennet R. Wong, M.D.
Psychiatric Consultant

*Members of Audit Committee
+ Members of Compensation Committee

Officers & Management

Randall L. Moffat,
President and Chairman of the Board

William A. Davis,
Vice-President – Finance and Treasurer

James W. McLaughlin,
Vice-President and General Manager, Radio Administration

Jack E. Baigrie,
Vice-President and General Manager,
Winnipeg Videon Incorporated

James S. Purvis,
Vice-President and General Manager,
CKY-TV, Winnipeg

Gary T. Brazzell, Q.C.,
Secretary

Alden E. Diehl,
Vice-President and General Manager,
CKY-AM/CITI-FM, Winnipeg

Keith P. James,
Vice-President and General Manager,
CKXL-AM/CHFM-FM, Calgary

Vernon L. Traill,
Vice-President and General Manager,
CHED-AM, Edmonton

Donald E. Kay,
General Manager,
CJJD-AM, Hamilton

Stanley R. Ravndahl,
General Manager,
CHAB-AM, Moose Jaw

William S. Sysak,
General Manager,
CKLG-AM/CFOX-FM, Vancouver

Francis A. Fries,
General Manager,
Kingwood Cablevision, Inc., Houston

Bank
Canadian Imperial Bank of Commerce

Transfer Agent
Canada Permanent Trust Company

Stock Listings
Toronto Stock Exchange
Vancouver Stock Exchange

Auditors
Deloitte, Haskins & Sells, Chartered Accountants

The Board of Directors records with deep sorrow the death of Jerry Forbes on September 24, 1981. Prior to his retirement in June of this year, Jerry had served as Vice-President and General Manager of radio station CHED in Edmonton and during his years with CHED, he directed the station to the dominant position in Edmonton radio. Perhaps his contribution can best be summarized by the fact that he was responsible for originally hiring and training four of our current six radio station managers, our Vice-President of Radio Administration, and our Director of Radio Engineering. Jerry will be remembered not only for his valuable contributions to the Company but as a friend who will be missed by all who knew him.

CKLG-AM, CFOX-FM — Vancouver - 730/99.3
CKXL-AM, CHFM-FM — Calgary - 1140/95.9
CHED-AM — Edmonton - 630
CHAB-AM — Moose Jaw/Regina - 800
CKY-AM, CITI-FM — Winnipeg - 580/92.1
CJJD-AM — Hamilton - 1280
CKY-TV — Winnipeg - Channel 7
CTV Television Network Ltd. (8.3% owned)
Winnipeg Videon Incorporated — CATV (80% owned)
Moffat International Corp. — Houston (95% owned)
Kingwood Cable Vision, Inc. — Houston
(90% owned by Moffat International Corp.)
Relay Communications Ltd. (50% owned)
EMM/CEE Productions Ltd.
Valley Cable Vision Limited
(40% owned by Winnipeg Videon Incorporated)



moffat communications limited
415 – 1661 Portage Avenue
Winnipeg, Canada R3J 3T7

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CKLG-AM, CFOX-FM — Vancouver - 730/99.3
CKXL-AM, CHFM-FM — Calgary - 1140/95.9
CHED-AM — Edmonton - 630
CHAB-AM — Moose Jaw/Regina - 800
CKY-AM, CITI-FM — Winnipeg - 580/92.1
CKY-TV — Winnipeg - Channel 7
CTV Television Network Ltd. (8.3% owned)
Winnipeg Videon Incorporated — CATV (80% owned)
Moffat International Corp. — Houston (75% owned)
Kingwood Cablevision, Inc. —
Houston (90% owned by Moffat International Corp.)
Consumer Behavior Center, Inc. — Dallas (60% owned)
Relay Communications Ltd. (50% owned)
EMM/CEE Productions Ltd.



moffat communications limited
interim report

SIX MONTHS ENDED FEBRUARY 28, 1981

STOCK LISTINGS
Toronto Stock Exchange
Vancouver Stock Exchange

Executive Office
415-1661 Portage Avenue
Winnipeg, Canada
R3J 3T7

moffat communications limited

INTERIM FINANCIAL REPORT
(unaudited)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1981
(with comparative figures for 1980)

	1981	1980
	(000 Omitted)	
SUMMARY OF INCOME		
Revenue from operations	$19,958	$16,985
Expenses:		
Operating	12,355	10,901
Depreciation and amortization	941	800
Interest	404	350
Income taxes	3,365	2,488
Minority interest	140	167
Amortization of goodwill	75	39
	17,280	14,745
NET INCOME	$ 2,678	$ 2,240
NET INCOME PER SHARE	$1.13	95.0¢
STATEMENT OF CHANGES IN FINANCIAL POSITION		
Working Capital Provided:		
Net income	$ 2,678	$ 2,240
Items not affecting working capital:		
Depreciation and amortization	941	800
Deferred income taxes	190	149
Minority interest in earnings	140	167
Goodwill amortization	75	39
Working capital provided by operations	4,024	3,395
Proceeds of long-term debt	5,004	—
Other	6	51
Total	9,034	3,446
Working Capital Applied:		
Capital expenditures	1,574	1,743
Purchase of shares in Kingwood Cablevision, Inc.	4,815	—
Dividends	898	708
Payments to minority shareholders - net	175	430
Long-term debt	2,583	771
Advances to affiliates - net	70	140
Deferred charges	65	65
Total	10,180	3,857
Decrease in working capital	1,146	411
Working capital - beginning of period	3,633	2,314
Working capital - end of period	$ 2,487	$ 1,903

TO THE SHAREHOLDERS

The unaudited consolidated net income of Moffat Communications Limited for the six months ended February 28, 1981 amounted to $2,678,100, an improvement of 19.6% over the same period in 1980. On a per share basis, earnings increased 18.9% over 1980 to $1.13.

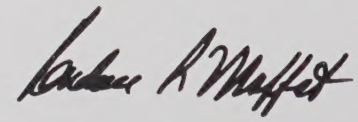
The television, radio and cable television divisions each contributed to the increase in net income. The television results benefited as a result of the financial improvement of the CTV Network. The rate of increase in radio and television time sales declined in the second quarter from the first quarter and we continue to be concerned with the economic climate in Canada.

Our application to acquire Hamilton, Ontario radio station CJJD-AM was heard at a Canadian Radio-Television and Telecommunications Commission Public Hearing on March 12, 1981 and we are optimistic of a favourable decision.

We are pleased with the progress of Kingwood Cablevision, Inc. (67.5% owned) which was acquired November 19, 1980 and is now in an operating profit position. We continue to seek out other United States CATV opportunities.

Your Company has filed one of several applications for a new FM station in Edmonton which are scheduled for a June 1981 CRTC Public Hearing.

Your Directors have declared a quarterly dividend of 19¢ per share payable May 29, 1981 to shareholders of record on May 8.



March 31, 1981

Randall L. Moffat
President